

TESTIMONY OF
SENATOR CHRISTOPHER S. BOND
BEFORE THE
SENATE COMMITTEE ON
COMMERCE, SCIENCE, AND TRANSPORTATION
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TESTIMONY PROVIDED BY SENATOR CHRISTOPHER S. BOND

Good morning, Mr. Chairman, Senator Hollings, and fellow colleagues. I thank the Chairman and the Committee for holding this hearing, and am pleased to appear before you to discuss the potential acquisition of Trans World Airlines by American Airlines, the impact on my home State of Missouri, and issues related to airline competition.

History of TWA

Let me start by providing some brief history of one of the most famous names in aviation and the longest-flying carrier in American commercial aviation, Trans World Airlines or TWA. For years TWA was associated with the big names, big planes, and great service. It is sad to see those days come to an end.

TWA's beginnings go back to 1925 when it was known as Western Air Express. It quickly evolved into Transcontinental Air Transport or the "Lindbergh Line" due to Charles Lindbergh's involvement with the airline. It was Transcontinental, that was headquartered in Kansas City, Missouri, that laid out the first coast to coast air and rail route in 1929.

A year later, in 1930, the federal government decided that airlines could and should carry more people than mail and the transcontinental lines emerged with what would become United, American, TWA, and Eastern. TWA had the central route through St. Louis, Missouri and TWA has had a major airline presence in St. Louis, Missouri ever since.

Another interesting airline fact, and one that I like, is that St. Louis is the birthplace of one of today's leading airlines. It is not TWA, but American Airlines, whose earliest predecessor company – Robertson Aircraft Corporation – launched its first airmail flight from St. Louis to Chicago on April 15, 1926.

TWA Has Been A Survivor

Throughout the history of TWA, the airline has had its major ups and downs. A TWA plane crash in Kirksville, Missouri in 1935 killed U.S. Senator Bronson Cutting of New Mexico which served as the catalyst for the creation of the Civil Aeronautics Board. Howard Hughes was brought in the late thirties to help address the growing financial needs. By 1940, Hughes owned the company which lasted until 1965. Even though Hughes increased the name recognition of TWA, throughout his years of ownership he created a fair amount of difficulties that led to a financial drain on TWA. TWA was able to weather that storm and often led the airline industry in profits in the 1960s.

In the 1970s, along came deregulation and TWA was not prepared. The good 'ole days of TWA disappeared. The constant struggle of survival began.

Mr. Chairman, I have been through the struggles of TWA for many years now. As a Governor, a lawyer, and here in the United States Senate, I have answered TWA's calls for assistance. I was involved during the Icahn era which left TWA gasping for breath. I have been through two previous bankruptcies questioning day to day whether or not TWA would be in the air. We all listened in horror about the TWA Flight 800 crash.

The newspaper headlines over the years give an example of the tense situation TWA was under.

"TWA Unveils Plan to Halve Its Debt" –December, 1994

"TWA Bailout 10 Times Bigger Than Announced" – March, 1995

"For Trans World Airlines, It's Chapter 11 Again" –June, 1995

"Auditors Gloomy on TWA's Prospects" –March, 1997

"TWA Juggles Top Executives After Treading in Red Ink for a 10th Straight Year" –March 1999

Time after time, TWA pulled it through. Time after time, TWA was a survivor.

Those days are no longer. Unfortunately, despite the heroic efforts of TWA's employees and current management team, it is now clear that the airline can no longer survive.

TWA's Importance to Missouri

Mr. Chairman, if I could have my way, TWA would continue to be a survivor and once again be on top leading the way for other airlines to follow. Unfortunately, as is the case too often, I am not getting my way. The loss of the TWA name in the airline industry is disappointing, but more specifically, the loss of TWA and its operations to my home state of Missouri, would be huge.

TWA has approximately 20,000 employees today. Approximately 9,000 of those employees live and work in the St. Louis, Missouri metropolitan area making TWA the seventh-largest employer in the St. Louis area. At St. Louis Lambert International Airport, TWA operates almost 1000 flights (departures and arrivals) per day.

In Kansas City, Missouri, TWA offers 10 daily flights to St. Louis. TWA employs 3,500 people in Kansas City, including 2,500 at the Kansas City overhaul base.

TWA's headquarters are in St. Louis, Missouri. TWA's support in the community has been apparent by the financial assistance provided locally. Having TWA's St. Louis hub has proven to be a tremendous economic benefit for the St. Louis metropolitan area and the entire State of Missouri.

American Airlines Acquisition

I am not going to deny it. Almost everyone involved with TWA looks at the acquisition of TWA by American Airlines as the knight in shining armor riding in on his white horse rescuing the damsel in distress. For TWA, for TWA employees, for St. Louis, for Kansas City, for the entire State of Missouri, and for the traveling public—this is the only option for us.

American Airlines is offering TWA, the TWA employees, Missouri, and the traveling public a “global” solution. American Airlines has an acquisition plan that will keep TWA flying in the short-term, protect almost all of the 20,000 jobs, maintains the St. Louis hub, maintains the Kansas City overhaul base, and maintains a competitive airline presence in St. Louis into the future. Obviously, this is good news for us—the State of Missouri simply has too much at stake to lose those economic engines.

American Airlines, in my view, has presented the best possible option. In fact, had American not provided immediate financing to TWA in early January, the carrier would have had to shut down, precipitating an economic crisis in Missouri. Likewise, air service from St. Louis to small and mid-sized cities throughout the Midwest would have been disrupted. Indeed, the loss of the St. Louis hub would in the long run, I believe, do significant harm to the airline industry and the hundreds of thousands of air travelers who depend on St. Louis Lambert as their connecting airport.

American Airlines wants the whole pie, not just a slice. That is imperative for TWA, TWA employees, Missouri, and the traveling public.

The Final Chapter

Let's be honest. There are some other airlines who are not happy with this American acquisition of TWA. Almost all of those airlines have considered at one time or another, the purchase of TWA, including US Airways, Northwest, Continental, and Delta. They all passed the opportunity by. At one time, acquiring TWA would have only been a liability. That is not the case today. Captain Bill Compton and his team, including the 20,000 employees, have led the turnaround of TWA, from an airline that nobody wanted to one that they now want to squabble over.

In the past four years the employees of TWA have built their airline into an industry-leading operator – going from last in on-time performance to first, winning numerous customer service awards. In addition, TWA undertook an ambitious program of fleet renewal leaving behind one of the newest fleet's in the industry.

Unfortunately, despite the sterling success of the operational turnaround, continuing financial problems have overwhelmed TWA. Let me be clear. TWA is not crying wolf! Because of the inability to overcome the financial woes which were further burdened by high fuel costs, TWA would have ceased operations mid-January. This is where the knight on the white horse came in.

Mr. Chairman, I understand and share many of the concerns of my colleagues with regard to increased consolidation in the airline industry. The proposed deals between United, US Airways, American, and DC Air raise significant questions in that regard and should be very carefully scrutinized. However, I urge my colleagues not to mix those larger, more complex deals with the American transaction with TWA. To do so will only cause delay and put thousands of jobs at risk in the State of Missouri.

One final point I should make about the proposed arrangement between American Airlines and TWA is its effect on competition, or more particularly the antitrust laws. I confess to having been an antitrust lawyer in my private life; it was the practice of that law that drove me into politics. I do recall, however, some of the main principles of antitrust law, and I am particularly drawn in this situation to the failing company doctrine. This is not an instance where competition is going to be decreased by the transaction between American Airlines and TWA; it is one which will enable the service provided by TWA to continue. Mr. Chairman, this is a glorified estate sale.

Indeed, the on-going bankruptcy proceeding as well as TWA's relatively small size (only 3.9 percent market share) make the American/TWA transaction fundamentally different from the larger deals. It must be resolved swiftly through the bankruptcy court and cleared by the Justice Department to ensure the continued, long-term employment of the thousands of TWA employees in my State of Missouri and those elsewhere in the country.

I hope and trust that the reviewing authorities will not inhibit this transaction from going forward, and I would strongly urge my colleagues not to take any steps that might interfere with this effort to save the service and the jobs of TWA.

Thank you for the opportunity to be here today. I look forward to working with you on this and many other issues.

